

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7067

BILL NUMBER: HB 1633

DATE PREPARED: Jan 5, 2001

BILL AMENDED:

SUBJECT: Instant Ticket Machines and ATMs at Gaming Sites.

FISCAL ANALYST: Jim Landers

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill prohibits the sale of lottery tickets from instant ticket vending machines after June 30, 2001. The bill provides that (1) the sale of lottery tickets from instant ticket vending machines after June 30, 2001 or (2) the possession of an instant lottery ticket vending machine after July 31, 2001 is a Class A misdemeanor. The bill also prohibits the placement of automated teller machines (ATMs) at race tracks, off-track betting facilities, and Riverboats.

Effective Date: Upon passage; July 1, 2001.

Explanation of State Expenditures:

Explanation of State Revenues: *Instant Ticket Vending Machine Ban:* The elimination of instant ticket vending machines potentially could decrease the number of lottery retailers, total ticket sales, and net lottery income after June 30, 2001.

The Lottery Commission of Indiana reports that there are currently 611 installed instant ticket vending machines in the state. A sample of 40 weeks worth of ticket sales during CY 2000 by the Commission indicates that vending machine sales accounted for approximately 6.32% of total instant ticket sales (roughly \$15.54 M out of \$246.13 M in total instant ticket sales for the sample). Based on FY 2000 instant ticket sales totaling approximately \$334.38 M, vending machine ticket sales would potentially account for an estimated \$21 M in revenue. About 30% of total lottery sales revenue is retained by the state as net income. If vending machine sales remained constant, the maximum annual revenue loss to the state would be approximately \$7 M per year beginning in FY 2002. However, it is likely that many individuals that currently purchase instant tickets from vending machines would instead purchase tickets through other means, resulting in a smaller revenue loss.

Under the current statute, surplus Lottery revenue is first transferred to the Teachers' Retirement Fund (TRF)

and the Pension Relief Fund (PRF). Once these transfers are made, surplus Lottery revenue is then distributed to the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund. The table below shows actual and projected Lottery revenue for FY 2000 to FY 2003 and the required statutory distributions.

Surplus Lottery Revenue & Distributions (in Millions)

Revenues & Distributions	FY 2000 (Actual)	FY 2001 (Projected)	FY 2002 (Projected)	FY 2003 (Projected)
Surplus Lottery Revenue	\$173.3	\$167.0	\$167.0	\$167.0
TRF Transfer	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)
PRF Transfer	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)
Surplus Revenue to the LGSA	\$113.3	\$107.0	\$107.0	\$107.0

The LGSA also receives surplus gaming revenues (revenues from the Riverboat Wagering Tax, the Parimutuel Wagering Tax, and the Charity Gaming Excise Tax). A statutorily determined amount of revenue in the LGSA is transferred each year to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. (Beginning with FY 2002 and continuing each year thereafter, this amount is equal to approximately \$236.2 M.) The remaining money in the LGSA is then transferred to the State and Local Capital Projects Account (SLCPA).

It is important to note that sufficiently large reductions in surplus Lottery revenue prior to distribution to the LGSA could potentially result in insufficient funds being available for statutorily determined transfers to the MVETRA.

ATM Ban: The bill prohibits automated teller machines (ATMs) at racetracks, off-track betting facilities, and Riverboat casinos. The prohibition potentially could impact the amount of money wagered at these gambling venues by impeding ready access to cash by prospective gamblers. Any decrease in money wagered at these venues would result in a decrease in revenue from the Riverboat Wagering Tax and the Pari-Mutuel Wagering Tax. However, the impact of the bill is indeterminable. In addition, it is unlikely that prohibiting ATMs would significantly affect the number of patrons visiting the gambling venues. Consequently, any impact on the Riverboat Admission Tax or the Pari-Mutuel Admission Tax would be negligible.

The Riverboat Wagering Tax is assessed at a rate of 20% of each Riverboat's adjusted gross receipts (wagers minus winnings and uncollectible receivables). After administrative expenses of the Indiana Gaming Commission are paid, three-quarters of the Wagering Tax revenue is distributed to the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund. One quarter of the remaining revenue is distributed to the city or county in which the Riverboat is docked. In FY 2000, Riverboat Wagering Tax revenue totaled \$307.34 M, with approximately \$246.11 M distributed to the LGSA and roughly \$82.04 M to cities and counties. The Riverboat Admission Tax is levied at a rate of \$3.00 per paid or unpaid admission to a Riverboat. Generally, the Riverboat Admission Tax is distributed to the cities and counties in which Riverboats are docked, the State Fair Commission, the State Division of Mental Health, and the Indiana Horse Racing Commission. In FY 2000, the Riverboat Admission Tax totaled \$116.57 M, with approximately \$81.25 M distributed to local units.

The Pari-Mutuel Wagering Tax is levied at a rate of 2% on the total amount wagered on live races and simulcasts at a horse track. A 2.5% rate is assessed on the total amount wagered on simulcasts at satellite

facilities. The first \$150,000 of Pari-Mutuel Wagering Tax revenue is deposited in the Veterinary School Research Account within the state General Fund and the remainder is deposited in the LGSA. In FY 2000, Pari-Mutuel Wagering Tax revenue totaled \$3.75 M. The Pari-Mutuel Admission Tax is levied at a rate of \$0.20 per person on paid admission to a horse track or satellite facility. Fifty percent of the revenue from the tax is distributed equally to the city and county where the venues are located and 50% is distributed to the State General Fund. In FY 2000, the Pari-Mutuel Admission Tax totaled \$21,380.

Penalties/Instant Ticket Vending Machine Ban: The bill provides that selling lottery tickets from an instant ticket vending machine after June 30, 2001, or possessing an instant ticket vending machine after July 31, 2001, is a Class A misdemeanor. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class A misdemeanor is \$5,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

Explanation of Local Expenditures: *Penalties/Instant Ticket Vending Machine Ban:* The bill provides that selling lottery tickets from an instant ticket vending machine after June 30, 2001, or possessing an instant ticket vending machine after July 31, 2001, is a Class A misdemeanor. A Class A misdemeanor is punishable by up to one year in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

Explanation of Local Revenues: *ATM Ban:* See Explanation of State Revenues.

Penalties/Instant Ticket Vending Machine Ban: The bill provides that selling lottery tickets from an instant ticket vending machine after June 30, 2001, or possessing an instant ticket vending machine after July 31, 2001, is a Class A misdemeanor. If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Lottery Commission of Indiana.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Nancy Dorsa, Controller, Lottery Commission of Indiana, 264-4970.
FY 2000 and FY 1999 Balance Sheets, Lottery Commission of Indiana.
Indiana Handbook of Taxes, Revenues, and Appropriations, Indiana Legislative Services Agency.